

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
100 USDA, Suite 102
Stillwater, Oklahoma 74074-2653

OK Notice FLP-441

For: County Offices

2-FLP

Security Requirements on Guaranteed Loans with Interest Assistance

Approved by: State Executive Director



1 Overview

A Background

This notice replaces OK Notice FLP-355 issued July 18, 2002.

2 FLP Part 8, Par. 166 B states the lender is responsible for ensuring that proper and adequate security for a guaranteed loan is obtained and maintained. At a minimum, Farm Service Agency (FSA) requires the value of the security to be at least equal to the loan amount. However, more security will be taken whenever it is available. More security may be required if the quality of the security is low, cash flow is below average, production capability is suspect, management history is limited, or enterprise is not firmly established or is atypical for the area.

B Purpose

This notice provides Oklahoma policy on security requirements for guaranteed loans that qualify for interest assistance. If a borrower requires interest assistance to be able in order to achieve a feasible plan, a lien will be taken on ALL assets.

C Contact

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the Oklahoma State Office.

D Filing Instructions

This notice should be filed with the FLP series Notices.

Disposal Date	Distribution
October 1, 2004	Farm Loan Program Teams, County Offices, DD's, COR's

2 ACTION

A County Office Action

Farm Loan Teams shall:

- Ensure a lien has been taken on ALL assets for loans requiring interest assistance.
- Ensure all nonessential assets have been accounted for and addressed in the narrative.
- Process all loan applications with interest assistance, according to regulations and statutory timeframes.

B Nonessential Assets

According to 2 FLP, Part 9, Par. 224 F, the lender must determine whether the borrower, including members of an entity, owns any significant assets which do not contribute directly to essential family living or farm operations. The lender must determine the market value of these assets and prepare a cash flow budget based on the assumption that the value of these assets will be used for debt reduction. If a feasible plan can then be achieved, the borrower is not eligible for interest assistance. All interest assistance calculations will be based on the cash-flow budget, which assumes that the assets will be sold.

C Notice to Lenders

Farm Loan Managers are to ensure that **ALL** lenders are using the correct interest accrual methods according to the promissory note. For loans with Interest Assistance that have a 360 basis, ensure that the lender is calculating the IA claims correctly. A copy of OK Notice FLP-441 is available on the Oklahoma State FSA web site at www.fsa.usda.gov/ok/ and is accessible to the public.